



A STUDY ON CORPORATE SOCIAL RESPONSIBILITY PRACTICES OF TEXTILES INDUSTRIES IN TAMIL NADU

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Abstract

The textile industry occupies a unique place in the country. It accounts for fourteen percent of the total industrial production contributes to nearly thirty percent of the total exports and in the second largest employment generator after agriculture. It provides direct employment to about thirty five million people and to another fifty million in allied areas. It means that one out of every six Indians is linked to the textile sector. Corporate Social Responsibility is synonymous with voluntary and philanthropic acts by business organizations designed to alleviate social ills or benefit a disadvantaged group chosen by the corporation's managers. More importantly with the onslaught of the globalization, the challenges facing the textile sector are ever growing and getting more and more complicated. Over the past decade, a growing number of companies have recognized the business benefits of CSR policies and practices. Their experiences are bolstering by a growing body of empirical studies which demonstrate that CSR has a positive impact on business economic performance and is not harmful to shareholder value. The present study is based on primary as well as secondary data and hence field survey method was adopted.

INTRODUCTION

In India, CSR is not a new phenomenon. It is essentially an ethical concept revolving around the governments as well as private organizations. This actually motivates organizations to think broadly about their obligations towards the society in which they operate rather than the just maximizing shareholders' value or profits. Micro and macro approaches of CSR are quite prevalent in India too. India has the world's richest tradition of CSR which mainly focuses on two aspects: Philanthropic activities and community development for national growth. Known as charity earlier, CSR has changed its conception and shifted its nature through different stages of development.

Indian industrialists participated in nation-building programs by establishing institutes of scientific and technical learning, known as 'Temples of Modern India', and supported the country to be independent though indigenous manufacturing and the creation of occupations. Under the paradigm of 'mixed economy' during the period 1960-1980, with growth of PSUs and copious legislations on labor and environmental standards, India pushed strict legal and public relations on private sector business activities. However, public sector which was viewed as the prime driver of growth, witnessed very limited growth.

After the 1980s conventional philanthropic participation gradually diminished in India and stakeholder and multi-stakeholder approach came into domination. Under this approach, businesses started recognizing the interest of multi-stakeholders, including society, and expanded their horizon. However, the multi-stakeholder approach was quite immature due to the rare interactions among business, Civil Society Organizations (CSOs) and trade unions. With the emergence of United Nations global compact, the multi-stakeholders approach gained momentum and recognition when firms aggressively participated in the compact.

IMPORTANT CSR MODELS

Model	Focus	Champions
Ethical	Voluntary commitment of companies to public welfare	M K Gandhi
Statist	State ownership and legal requirements determine corporate responsibility	Jawaharlal Nehru

Liberal	Corporate responsibility limited to private owners (shareholders)	Milton Friedma.M and Theodore Levitt
Stakeholders	Companies respond to the needs of stakeholders- consumers, employees, communities, etc.	R Edward Freeman, Robert Ackerman and Archie B Carroll

Source: Adopted from “Altered images: The 2001 state of Corporate Social Responsibility in India Poll”, TERI, Europe.

According to “Altered Images: the 2001 state of Corporate Responsibility in India Poll”, a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches:

Ethical Model (1930-1950)

One significant aspect of this model is the promotion of “trusteeship” that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socioeconomic development. The efforts of Tata group directed towards the wellbeing of the society are also worth mentioning in this model.

Statist Model (1950-1970s)

Under the aegis of Jawahar Lal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

Liberal Model (1970s-1990s)

The model was encapsulated by Milton Friedman. As per this model, corporate responsibility is confined to its economic bottom line. This implies that it sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

Stakeholder Model (1990s-Present)

This model came into existence during 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects companies to perform according to “triple bottom line” approach. The business is also focusing on accountability and transparency through several mechanisms.

STATEMENT OF THE PROBLEM

The textile industry occupies a unique place in the country. It accounts for fourteen percent of the total industrial production contributes to nearly thirty percent of the total exports and in the second largest employment generator after agriculture. It provides direct employment to about thirty five million people and to another fifty million in allied areas. It means that one out of every six Indians is linked to the textile sector. An initiative of Corporate Social Responsibility activities in Textile industries are focused on environment protection, employees welfare, society development activities and company development. The textile industry in general usually assumes that responsible sourcing methods will result in high cost, particularly for labour, consumers, suppliers and top level management through environment protection and society development. The present study attempts to analyze the development of textile industry based on CSR practices in selected districts of Tamil Nadu state.

OBJECTIVES OF THE STUDY

1. To study the factors influencing the entrepreneurs of Textile Industry in implementing the Corporate Social Responsibility activities
2. To identify the problems faced by the entrepreneurs in implementing the Corporate Social Responsibility practices
3. To suggest remedial measures for better implementation of CSR activities in textile industries.

METHODOLOGY

The present study is based on primary as well as secondary data. The multistage sampling procedure was adopted. Out of 32 districts in Tamil Nadu, three districts were selected based on the concentration of the population and business performance of Textile Industries, in terms of the Annual turnover, Annual network and Annual Profit. As such Karur, Coimbatore and Tirupur Districts were identified and selected as the study area.

As per the CSR standard procedures and the textiles association of the concern districts, 120 entrepreneurs were selected from the study area. The textile entrepreneurs as respondents were categorized into two categories namely 'A' represents exporters and 'B' represents domestic manufacturers, subcontractors and entrepreneurs of ancillary units. From each district, 10 Exporters as category A, 10 Domestic manufacturers, 10 Sub-Contractors and 10 entrepreneurs from Ancillary units as 'B' category accounted to 120 respondents were selected randomly.

The secondary data on textile industry were collected for a period of 10 years (2001 – 2011) from the Reports of the Ministry of Textiles and Ministry of Industry and Commerce, New Delhi and from the records of Textiles Associations and District Collectorate office at selected districts.

Both the primary and secondary data collected were meaningfully analyzed by using appropriate statistical tools such as simple percentages, ANOVA single factor and multiple linear regression analysis.

SCOPE OF THE STUDY

The Corporate Social Responsibility (CSR) programme initiatives as per government policy in textiles export industries focus on environmental protection, employee's welfare activities, business and society development activities. On the other side, it also focuses on knowledge and awareness creation about the CSR programme in textile domestic and allied industries. As to the present study, it analyses the awareness about CSR programme among the textile entrepreneurs. Further study is also intended to analyze the factors influencing implementation of the CSR programme and the problems faced by the textile entrepreneurs in implementing CSR programme. The present study was conducted in three selected districts namely Karur, Coimbatore and Tirupur where textile industries were found to be more in number and provides significant employment opportunities to the people around the area.

ANNUAL TURNOVER OF TEXTILE INDUSTRIES
Details of Annual Turnover of Textile Industries in Study Districts(Rs. in crores)

S. No.	Textile Industry	2007 - 2008 Rs.	2008 - 2009 Rs.	2009 - 2010 Rs.	2010 - 2011 Rs.	2011 - 2012 Rs.
1.	Home textiles (Karur)	2960	3012	4520	5080	6020
2.	Spinning mills (Coimbatore)	3019	3020	4234	5114	5800
3.	Garments Sector (Tirupur)	11000	9950	12260	14575	17027

Source: Textiles Associations in the study districts.

The table shows the annual turnover of textile industries in the study area from 2007 – 08 to 2011 - 12. The annual turnovers of home textiles have increased from 2960 crores in 2007 – 08 to 6020 crores in 2011 – 12 in Karur district. The annual turnovers of spinning mills have increased two fold during the study period in Coimbatore district. The annual turnover of garments sectors have reached to Rs. 17027 crores in 2011 – 12 from Rs. 11000 crores in 2007 – 08 in Tirupur district.

Nature of Organization

According to nature, business organizations are classified into four types such as Sole Proprietor, Partnership, Joint-stock Company, Co-operative institutions. An attempt has been made here to analyses the nature of the sample industries.

Nature of Organization of Sample Textile Industries

Nature of Organization	Number of Entrepreneurs		
	Category A	Category B	Total
Sole proprietor	8 (26.7)	54 (60.0)	62 (51.6)
Partnership	22 (73.3)	32 (35.6)	54 (45.0)
Joint Stock Company	0	0	0
Co-operative Institution	0	4 (4.4)	4 (3.4)
Total	30 (100)	90 (100)	120 (100)

Source: Computed from primary data

Note: Figures within the parenthesis denotes percentages.

Perusal of table 5.1 reveals that as much as 51.6 per cent of the sample units (Textile Industries) of both the Category were found to be sole proprietorship whereas 45 per cent of the sample units of both the Category were found to be partnership form of organization. Further, Category wise analysis shows that as high as 73.3 per cent of sample units under Category A were found to be the partnership form while 60 per cent of the sample units under Category 'B' were found to be the sole proprietorship forms of organization. None of the sample units belong to Joint Stock Company. It is surprising to note that 4.4 per cent of sample units under Category B were found to be the Co-operative institutions (Cooperative textiles) in the study area. Thus, it may be stated that majority of the sample units under study were sole proprietorship and partnership form of organization.

PROBLEMS IN CSR PROGRAMME IMPLEMENTATION

The problems that are being faced by the textile entrepreneurs of both the category were identified and the respondents were asked to classify the problems based on the severity (Most, moderate and least severity). The result of the analysis is presented.

Table 5.37, Problems Faced By Category "A" Entrepreneurs In CSR Implementation
(No. of Entrepreneurs)

Problems	Most Severe	Moderately Severe	Least Severe	Total
Nonstandard form of CSR	27 (90.0)	1 (1.1)	2 (8.9)	30 (100.0)
Graft and corruption	25 (83.3)	5 (16.7)	-	30 (100.0)
Low budget provision	10 (33.3)	16 (53.3)	4 (13.4)	30 (100.0)
Lack of government support	21 (70.0)	6 (20.0)	3 (10.0)	30 (100.0)
Taxation problem	13 (43.3)	14 (46.6)	3 (10.1)	30 (100.0)
Continuous practices of CSR requires huge fund	19 (63.3)	8 (26.6)	3 (10.1)	30 (100.0)
Annual turnover	13 (43.3)	13 (43.3)	4 (13.4)	30 (100.0)
Profitable companies may be excluded from access to business grants and support	15 (50.0)	12 (40.0)	3 (10.0)	30 (100.0)
Lack of coordination or cooperation from local partnership organization	27 (90.0)	3 (10.0)	-	30 (100.0)

Source: Computed from primary data

Note: Figures within the parenthesis denotes percentages.

The survey result reveals that Non standard form of CSR (90.0 per cent), Lack of coordination or cooperation from local partnership organization (90.0 per cent), Graft and corruption (83.3 per cent), Lack of government support (70.0 per cent) and Continuous practices of CSR requires huge fund (63.3 per cent) were the most severe problems as opined by the respondents of category A in implementing CSR programme, whereas low budget provision (53.3 per cent), taxation (46.6 per cent) and annual turnover (43.3 per cent) were moderately severe problems.

Table 5.38, Problems Faced By Category “B” Entrepreneurs in CSR Implementation(No. of Entrepreneurs)

Problems	Most Severe	Moderately Severe	Least Severe	Total
Non standard form of CSR	90 (100.0)	-	-	90 (100.0)
Lack of turnover	87 (96.6)	3 (3.4)	-	90 (100.0)
Lack of financial assistance for run the industry	83 (92.2)	7 (7.8)	-	90 (100.0)
Lack of government support	76 (84.4)	13 (14.4)	1 (1.2)	90 (100.0)
Lack of coordination between employer and employee	76 (84.4)	9 (10.0)	5 (5.6)	90 (100.0)
Continuous practices of CSR requires huge fund	77 (85.5)	11 (12.2)	2 (2.3)	90 (100.0)
Lack of profit	84 (93.3)	4 (4.4)	2 (2.3)	90 (100.0)
Sickness of medium level industries	70 (77.7)	19 (21.1)	1 (1.2)	90 (100.0)

Source: Computed from primary data

Note: Figures within the parenthesis denotes percentages.

As to problems faced by category B entrepreneurs, majority of the respondents opinioned that all the said problems were most severe which retards them to implement CSR programmes although they are not under CSR norms.

MAJOR FINDINGS

Major findings of the study are presented hereunder

- In Tamilnadu, the textile industries had allocated Rs 5.0 crores in 2006-2009 for CSR, especially the K.P.R mills Ltd in Coimbatore district had allocated Rs. 1.5 crores in 2008-2009.
- Among the various CSR programme, the government textile industries had allocated highest amount of Rs.75.5 crores for educational development activities followed by Rs.56.3 crores allocated for health care related activities during the study period.
- As for influence of factors on CSR implementation perceived among entrepreneurs category “A”, the result shows that the variables education, awareness on CSR, and experience in CSR practices under entrepreneur related variables had positive effect as influence on the leadership style at 1 per cent significance level. Under organization related variables, employee size and annual profit had a positive effect at 1 per cent significance level; and under external environment related variables, support from textile association and community participation had negative effect at 5 per cent and 1 per cent significance level respectively, which means the CSR implementation was affected due to lack of support from textile association and low level of community participation in CSR activities.
- As for influence of factors on CSR implementation perceived among textile entrepreneurs category “B”, the result shows that the independent variables education and awareness on CSR under entrepreneur related variables had positive effect as influence on the CSR implementation at 5 per cent significance level; and under organization related variables employee size and annual profit also had a positive effect at 5 per cent significance level.
- As for influence of factors on CSR implementation perceived among textile entrepreneurs category “B”, the result shows that the independent variables education and awareness on CSR under entrepreneur related variables had positive effect as influence on the CSR implementation at 5 per cent significance level; and under organization related variables employee size and annual profit also had a positive effect at 5 per cent significance level.
- The survey result reveals that Nonstandard form of CSR, Lack of coordination or cooperation from local partnership organization, Graft and corruption, Lack of government support and Continuous practices of CSR requires huge fund and the most severe problems as opined by the respondents of category A in

implementing CSR programme, whereas low budget provision, taxation and annual turnover were moderately severe problems.

- As to problems faced by category B entrepreneurs, majority of the respondents opined that all the said problems were most severe which retards them to implement CSR programmes although they are not under CSR norms.

SUGGESTIONS

The ways in which a textile firm can fulfill its responsibility towards various parties are similar to those of firms in other industries. i) Towards Employees: by providing a competitive and challenging work environment. ii) Towards Shareholders: by representing a fair picture of the company's financial position and profit/loss to the shareholders; and by paying them a fair rate of dividend. iii) Towards the Government: by abiding by the laws and regulations of the area in which the firm operates. iv) Towards Customers: by providing quality products to the customers at reasonable prices; v) Towards Society: undertaking community development and area development programmes; undertaking charity work for the underprivileged sections of the society; by creating job opportunities. vi) Towards Environment: ensuring the purchase of environment-friendly supplies; ensuring a pollution-free process of production; having an efficient system for the disposal of waste; making the product and the process of production as environment-friendly as possible; and adopting eco-friendly packaging.

CONCLUSION

The CSR programme may include one of the components of PURA (Provision of Urban Amenities in Rural Areas) scheme. The concept of PURA was evolved by Dr. A.P.J. Abdul Kalam former president of India. The Indian government has been running pilot PURA programmes in several states since 2004. The pilot phase of the scheme is in progress. Moreover, the government may revamp policies related to PURA and rejuvenate rural industrial sectors. For the purpose of promotion of CSR activities of Small, Micro and Medium Enterprises in developing countries like India.

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